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Cordley, F. R., & Co., Bankers, Boston

Causes of the panic

[Washington?]

[1893]

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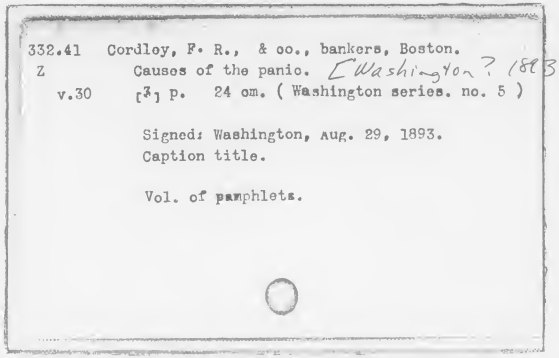
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F. R. CORDLEY & CO.,
BANKERS,
66 STATE STREET,
BOSTON.

Washington Series,
No. 5.

CAUSES OF THE PANIC.

DEAR SIR :

The "cheap" money epidemic, is belief that omnipotent Principle which has made *intrinsic value* the law and measure of transactions and exchanges, can be outwitted, *a false representative value* passed on the community, with a balance called "wealth," the supposed result from the operation. In the West and South it is specially manifest in belief that a currency can be created by fiat of Government, through which debts incurred in world's standard of intrinsic value, can be paid in a false representative value, termed the "cheap dollar." In belief that this marvellous dollar could be got out of silver bullion, *the producer* has been paid in three years past, one hundred and fifty million gold dollars, for bullion worth in world's standard of value, less than one hundred and twenty million—a clean BOUNTY of thirty million dollars.

New promises now nourish fresh hopes, that this "cheap dollar" may yet be gotten out of silver bullion, if it is *protected* by *a ratio* that will continue *the bounty* to the producer, give him the right to make everybody take it at the *protective* price, and drive the world's standard out of use. This element of the present troubles, is the special contribution of our Western and Southern friends.

Now, for the East !

In the East, with more varied industries, and greater accumulations of capital, the epidemic desire for *a dollar that has not been earned*, is embodied in CAPITAL STOCK of companies, corporations, industries and trusts—which has *not* intrinsic value behind it, *i. e.* good assets, realizable in the world's standard of value.

Banker and *financier*, as depositaries of trust, ought to be, the world over, the highest business synonyms for honesty and truthfulness. *Now* these honored names, very often designate, in popular thought, a successful sharper who keeps the kernel of what is confided to him, and throws the empty shell to his client. Really this sort of banker and financier is the reflection of the epidemic desire with which he, too, has become affected, for accumulation of representatives of value which have less than world's standard of value, in the belief that they constitute wealth. As the hankering after "unearned increment," or "cheap" money is corrected by a more Scientific understanding of values, there will be no demand for financiers that minister to it, and the supply will cease. When the multi-millionaire, gorged with representative values of this sort, ceases to be the object of envy, and the ideal of every man's desire, both East and West, the phenomenal banker and financier of to-day will also vanish.

The tendency towards unification of industries and trade, useful in itself, has created vast fields for capitalization and investment. Combination on the basis of face value equal to intrinsic value, is progress; face value in excess of intrinsic value, indicates deflection from truth, and is contrary to progress.

Companies, corporations, industries and trusts, are legitimate and needful instruments of civilized society. If they are "stocked" by owners, originators, or promoters at a figure exaggerated by skillful misrepresentation, and some banker, financier, or syndicate of promoting bankers, through their reputation for intelligence, fair dealing, and successful management, put this dishonest presentation of value on the market—what follows? The transaction is commonly considered closed by the opposite entries of profit and loss, that figure in the books of buyers and sellers concerned in it. NOT AT ALL! What thus appears is only a temporary incident, and the least.

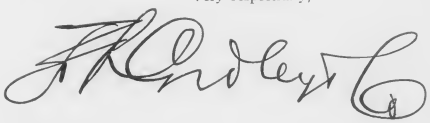
The parties concerned enter in their books figures of false representative value, or "cheap" money, and the balances resulting therefrom; but besides these, fidelity, truthfulness, trust, as well as dishonest purpose—impartially mixed in on both sides, for one wanted to buy as much as the other to sell, just this sort of "value"—were involved at every step; the results were expressed in another set of debits and credits that designate profit and loss in these higher terms of human action, and balances were struck, *in the universal thought*. No element of *truth* or *untruth* escapes in the items of this account. A part of the banker's and promoter's *real capital*—trust in his intelligence or probity—something of the real capital of each person concerned, has gone to profit and loss, and is unerringly and to the last jot, subtracted from the total; the balance is thus insensibly being made up every day, from which after a time, it will appear that the *general account* of confidence has been *over-drawn*—AND THEN? Well, we shall see further on. Thus the man that passes less than honest representative value, or gets more, has subtracted so much from the world's real capital.

The epoch just closing in unexampled disaster has been one of unparallelled activity in capitalization, or "stocking" of all sorts of industrial companies, trusts, etc.; the stock has been blown full of "gas" or "water" to satisfy the demands of incrdinate desire for the "cheap dollar," and credulous belief in ability to defraud and cheat men's trust in one another. The totality of the "stocks" of companies, and trusts, and railway "deals," and "reorganizations"—too often disguises for successive cream skimmings by "financiers"—make up the astounding totals *in figures*, with which we have to deal; and then find the exact Scientific equivalent or counterpart, in *the higher terms* of *business probity* above mentioned.

Here we see how GENERAL CONFIDENCE has been drawn upon, *and overdrawn* in the account with CAPITAL STOCK. That which originated these drafts and made them current, was epidemic desire for "cheap money," which is, *every representative value* that has not back of it full *intrinsic value*, measured by world's standard. These companies, etc., founded on "cheap" money, were so many card houses that the first shock brought tumbling about their projectors' ears.

What was the shock?

Very respectfully,



THE ARLINGTON,
WASHINGTON, D. C., *August 29, 1893.*

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TITLE